QUARTERLY PERFORMANCE PROGRESS REPORT FOR BROADBAND INFRASTRUCTURE PROJECTS

General Information

1. Federal Agency and Organizational Element to Which Report is Submitted Department of Commerce, National Telecommunications and Information Administration	**2. Award Identification Number** NT10BIX5570068	**3. DUNS Number** 003866597

4. Recipient Organization

Valley Telephone Cooperative, Inc. 480 South 6th Street, Raymondville, TX 78580-2434

5. Current Reporting Period End Date (MM/DD/YYYY) 06-30-2011	**6. Is this the last Report of the Award Period?** ◯ **Yes** ⦿ **No**

7. Certification: I certify to the best of my knowledge and belief that this report is correct and complete for performance of activities for the purposes set forth in the award documents.

7a. Typed or Printed Name and Title of Certifying Official Leonard Beurer Sr. Manager F&A	**7c. Telephone (area code, number and extension)** 9566421108
	7d. Email Address lbeurer@vtci.net
7b. Signature of Certifying Official Submitted Electronically	**7e. Date Report Submitted (MM/DD/YYYY):** 08-04-2011

Project Indicators (This Quarter)

1. Please describe significant project accomplishments completed during this quarter (600 words or less).

We received our FONSI on 4/8/11. We have met with all five participant anchor institutions (TSTC, STC, UTPA, UTB, & UTHSC) to review facility engineering plans. Engineering has started at all five CAI locations. We also purchased and closed on land in three locations - Brownsville, Weslaco and Edinburg. We completed the engineering design and staking in Rio Grand City. We completed the engineering drawing and 50% of staking of the Harlingen (Treasure Hills) to Brownsville (Hwy 48) middle mile route segment. We completed duct searches in Brownsville, McAllen, Edinburg and Harlingen.

2. Please provide the percent complete for the following key milestones in your project. Write "0" in the Percent Complete column and "N/A" in the Narrative column if your project does not include this activity. If you provided additional milestones in your baseline plan, please insert them at the bottom of the table. Unless otherwise indicated in the instructions, figures should be reported cumulatively from award inception to the end of the most recent reporting quarter. Please provide a narrative description if the percent complete is different from the target provided in your baseline plan (300 words or less).

	Milestone	Percent Complete	Narrative (describe reasons for any variance from baseline plan or subsequent written updates provided to your program officer)
2a.	**Overall Project**	3	See below
2b.	**Environmental Assessment**	100	Received our FONSI on 4/8/11
2c.	**Network Design**	25	Implemented engineering at five CAI locations. Completed staking in Rio Grande City. Completed the engineering design and 50% staking on middle mile route segment from Harlingen to Brownsville.
2d.	**Rights of Way**	0	Nothing to Report
2e.	**Construction Permits and Other Approvals**	9	Completed duct searches in Harlingen, Brownsville, McAllen and Edinburg.
2f.	**Site Preparation**	0	Beginning site preparation, nearing completion in Weslaco
2g.	**Equipment Procurement**	0	Fiber is scheduled for delivery every month starting in July. Purchase is being delayed until construction is scheduled.
2h.	**Network Build (all components - owned, leased, IRU, etc)**	0	Awaiting engineering completition
2i.	**Equipment Deployment**	0	Awaiting building construction completition
2j.	**Network Testing**	0	Testing will commence as route segments are completed
2k.	**Other (please specify): land**	26	Closed on 3 properties under contract in Brownsville, Weslaco, and Edinburg. Initiated building design RFP with Megamorphosis

3. To the extent not covered above, please describe any challenges or issues faced during this past quarter in achieving planned progress against the project milestones listed above. In particular, please identify any areas or issues where technical assistance from the BTOP program may be useful (600 words or less).

FONSI delays caused the project to lag expectations by at least two months. We are working to catch up to make up the lost time.

4. Please report the following information regarding network build progress. Write "0" in the Total column and "N/A" in the Narrative column if your project does not include this activity. Unless otherwise indicated in the instructions, figures should be reported cumulatively from award inception to the end of the most recent reporting quarter. Please provide a narrative description if the total is different from the target provided in your baseline plan (600 words or less).

Indicator	Total	Narrative (describe your reasons for any variance from the baseline plan or any other relevant information)
New network miles deployed	0	Construction has not started
New network miles leased	0	Construction has not started
Existing network miles upgraded	0	Construction has not started
Existing network miles leased	0	Construction has not started
Number of miles of new fiber (aerial or underground)	0	Construction has not started

Indicator	Total	Narrative (describe your reasons for any variance from the baseline plan or any other relevant information)
Number of new wireless links	0	N/A
Number of new towers	0	N/A
Number of new and/or upgraded interconnection points	0	Construction has not started

For questions 5 and 6 please include information relating to agreements that you are negotiating or have entered into, or that your sub recipient, contractor or subcontractor is negotiating or entered into.

5a. If applicable, please provide the following information with regard to agreements with broadband wholesalers and/or last mile providers as a result of your project.

Indicators	
Number of signed agreements with broadband wholesalers or last mile providers	0
Number of agreements currently being negotiated with broadband wholesalers or last mile providers	5
Average term of signed agreements (in quarters)	0

5b. Please list the names of the wholesale and last mile providers with whom you have signed agreements (100 words or less). Providers:
XC Networks

5c. What wholesale services are being provided by this project? Please describe below. As an attachment to this report, please provide pricing plans (in $ per month) associated with each wholesale service provided by your product (100 words or less). Wholesale services description:
Transport services and Internet Bandwidth services.

5d. If you have designated a third party to operate all or a portion of your network, please provide the name and contact information for this third party, indicate if this entity is a sub recipient, contractor, and/or subcontractor, and describe with specificity the portion of your network this this third party operates (600 words or less).
We own and operate our own network

6. Please provide the data according to the type of subscriber. Write "0" in the Total column and "N/A" in the Narrative column if your project does not pass or serve a particular subscriber type. Unless otherwise indicated in the instructions, figures should be reported cumulatively from award inception to the end of the most recent reporting quarter. Please provide a narrative description if the total is different from the target provided in your baseline plan (300 words or less).

Subscriber Type	Access Type	Total	Narrative (describe your reasons for any variance from the baseline plan or any other relevant information)
Broadband Wholesalers or Last Mile Providers	**Providers with signed agreements receiving new access**	0	Crafting IRU Agreement for Wholesale Providers
	Providers with signed agreements receiving improved access	0	Crafting IRU Agreement for Wholesale Providers
	Providers with signed agreements receiving access to dark fiber	0	Crafting IRU Agreement for Wholesale Providers
	Please identify the speed tiers that are available and the number of subscribers for each	0	Speed tiers are attached, No Subscribers
Community Anchor Institutions (including Government institutions)	**Total subscribers served**	0	In Engineering Phase

Subscriber Type	Access Type	Total	Narrative (describe your reasons for any variance from the baseline plan or any other relevant information)
	Subscribers receiving new access	0	In Engineering Phase
	Subscribers receiving improved access	0	In Engineering Phase
	Please identify the speed tiers that are available and the number or subscribers for each	0	Speed tiers are attached, No Subscribers
Residential / Households	Entities passed	0	N/A
	Total subscribers served	0	N/A
	Subscribers receiving new access	0	N/A
	Subscribers receiving improved access	0	N/A
	Please identify the speed tiers that are available and the number of subscribers for each	0	N/A
Businesses	Entities passed	0	Construction has not started
	Total subscribers served	0	Construction has not started
	Subscribers receiving new access	0	Construction has not started
	Subscribers receiving improved access	0	Construction has not started
	Please identify the speed tiers that are available and the number of subscribers for each	0	Speed tiers are attached, No Subscribers

7. Please describe any special offerings you may provide (600 words or less).
N/A

8a. Have your network management practices changed over the last quarter?　　◯ **Yes**　　⦿ **No**

8b. If so, please describe the changes (300 words or less).
N/A

9. Community Anchor Institutions:
Using the table below, please provide a list by service area of the community anchor institutions (including Government institutions) connected to your network as a result of BTOP funds. Figures should be reported for the most recent reporting quarter only (NOT cumulatively). Also indicate whether your organization is currently providing broadband service to the anchor institution. Finally, provide a short narrative description with examples of how institutions are using BTOP-funded infrastructure (300 words or less).

Institution Name	Service Area (town or county)	Type of Anchor Institution (as defined in your baseline)	Are you also the broadband service provider for this institution? (Yes / No)	Narrative description of how anchor institutions are using BTOP-funded infrastructure
UT Brownsville	**Raymondville, TX**	**Remote University Incubator**	**Yes**	**Distance Learning - to be included as In-Kind Contribution**

Project Indicators (Next Quarter)

1. Please describe significant project accomplishments planned for completion during the next quarter (600 words or less).
We should complete the five participant CAI (University Campus) engineering and staking. Obtain permits and start construction on

the Rio Grande City route, Harlingen to Brownsville middle mile route, and complete duct verification (sneak & peak) in Brownsville, McAllen, Harlingen and Edinburg. Complete building design and start construction in Brownsville, Weslaco and Edinburg. We are purchasing middle mile fiber in anticipation of long delivery intervals due to high fiber demand.

2. Please provide the percent complete for the following key milestones in your project. Write "0" in the Planned Percent Complete column and "N/A" in the Narrative column if your project does not include this activity. If you provided additional milestones in your baseline plan, please insert them at the bottom of the table. Unless otherwise indicated in the instructions, figures should be reported cumulatively from award inception to the end of the next reporting quarter. Please provide a narrative description if the percent complete is different from the target provided in your baseline plan (300 words or less).

	Milestone	Planned Percent Complete	Narrative (describe reasons for any variance from baseline plan or any other relevant information)
2a.	Overall Project	11	See notes below
2b.	Environmental Assessment	100	Final EA on 4/8/11
2c.	Network Design	48	Engineering validating route design
2d.	Rights of Way	33	Engineering soliciting ROW permits (Rio Grande City)
2e.	Construction Permits and Other Approvals	9	Soliciting city, county, state and federal permits
2f.	Site Preparation	100	complete site prep for 3 properties
2g.	Equipment Procurement	35	Fiber is scheduled for delivery every month starting in July. Purchase is being delayed until construction is scheduled.
2h.	Network Build (all components - owned, leased, IRU, etc.)	0	Awaiting Engineering completition
2i.	Equipment Deployment	0	Awaiting building construction completition
2j.	Network Testing	0	Testing will commence as route segments are completed
2k.	Other (please specify): land and buildings	63	Complete design of buildings in Brownsville, Weslaco and Edinburg

3. Please describe any challenges or issues anticipated during the next quarter that may impact planned progress against the project milestones listed above. In particular, please identify any areas or issues where technical assistance from the BTOP program may be useful (600 words or less).
The EA approval delayed the project three months. Now we are three months behind in our engineering process. Technical assistance is NOT needed. We need to identify additional contractor resources that can assist with completing engineering on route segments. We will start the construction process as soon as possible. We still have to send out bids to multiple construction companies and try to shorten the bid review process.

Infrastructure Budget Execution Details

Activity Based Expenditures (Infrastructure)

1. Please provide details below on your total budget, cumulative actual expenditures (for the period ending the current quarter), and cumulative anticipated expenditures (for the period ending next quarter) for each line item, including detailed disbursements of both matching funds and federal funds from project inception through end of this quarter (actual) or next quarter (anticipated). Actual and anticipated figures should be reported cumulatively from award inception to the end of the applicable reporting quarter.

Cost Classification	Budget for Entire Project			Actuals from Project Inception through End of Current Reporting Period			Anticipated Actuals from Project Inception through End of Next Reporting Period		
	Total Cost (plan)	Matching Funds (plan)	Federal Funds (plan)	Total Cost	Matching Funds	Federal Funds	Total Costs	Matching Funds	Federal Funds
a. Administrative and legal expenses	$0	$0	$0	$0	$0	$0	$0	$0	$0
b. Land, structures, right-of-ways, appraisals, etc.	$1,679,000	$503,700	$1,175,300	$440,491	$132,147	$308,344	$1,064,000	$319,200	$744,800
c. Relocation expenses and payments	$0	$0	$0	$0	$0	$0	$0	$0	$0
d. Architectural and engineering fees	$2,754,391	$826,317	$1,928,074	$294,363	$88,309	$206,054	$326,363	$97,909	$228,454
e. Other architectural and engineering fees	$0	$0	$0	$0	$0	$0	$0	$0	$0
f. Project inspection fees	$0	$0	$0	$0	$0	$0	$0	$0	$0
g. Site work	$51,000	$15,300	$35,700	$0	$0	$0	$51,000	$15,300	$35,700
h. Demolition and removal	$0	$0	$0	$0	$0	$0	$0	$0	$0
i. Construction	$15,745,589	$4,723,677	$11,021,912	$0	$0	$0	$959,969	$287,991	$671,978
j. Equipment	$2,195,529	$658,659	$1,536,870	$0	$0	$0	$0	$0	$0
k. Miscellaneous	$0	$0	$0	$0	$0	$0	$0	$0	$0
l. SUBTOTAL (add a through k)	$22,425,509	$6,727,653	$15,697,856	$734,854	$220,456	$514,398	$2,401,332	$720,400	$1,680,932
m. Contingencies	$0	$0	$0	$0	$0	$0	$0	$0	$0
n. TOTALS (sum of l and m)	$22,425,509	$6,727,653	$15,697,856	$734,854	$220,456	$514,398	$2,401,332	$720,400	$1,680,932

2. Program Income: Please provide the program income you listed in your application budget and actuals to date through the end of the reporting period.

a. Application Budget Program Income: $0	b. Program Income to Date: $0